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SIPDIS

C O R R E C T E D - C O P Y (CHANGE TO TEXT PAR 8)

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [ECON](#) [CO](#) [COETRD](#) [FTA](#)
SUBJECT: COLOMBIA'S REACTION TO U.S.-PERU FTA

1. Summary: GOC policy makers are putting a positive public spin on Peru's decision to sign a Free Trade Agreement (FTA) with the U.S. on December 7. With the Peru agreement, Colombia now has a clear understanding of the way forward to completion of its own FTA. Critics are suggesting the GOC delay further negotiations, while the GOC seems determined to close as soon as possible. End Summary.

No Surprise, but Some Disappointment

2. Soon after the announcement that Peru and the U.S. had agreed to an FTA, GOC ministers, including Trade and Commerce Minister Jorge Humberto Botero, reported to the press that Colombia was not surprised by Peru's faster closing. The GOC lead FTA negotiator, Hernando Jose Gomez pointed out in public reports that the Peruvian economy is less complex with fewer products to defend. As a result, he said, the GOC has expected for some time that Peru would be able to move forward quicker than Colombia.

3. Although the GOC expected Peru to sign with the U.S., the government held out some hope that it could keep the Andean negotiating block together. The split will now force Colombia to accept in public certain FTA terms that it would have preferred to negotiate in private. In the Colombian press, the GOC referred several times to their desire avoid signing on to a "tratado de adhesion" (translated as docking onto an existing agreement). Before even reading press releases about the U.S.-Peru agreement, Gomez acknowledged his approval. He was quoted saying, "we have received verbal assurances from the Peruvians that our common area of concern - intellectual property - met our general interests." Gomez also stated that Peru's signing was not a solitary act, but rather due to the coordinated efforts of all Andean nations over several months.

A New Roadmap for Colombia

4. The U.S.-Peru agreement includes concessions on important principles that Colombia will use as a roadmap toward the completion of its own FTA. While there is some pressure to try and get a "better deal" (something that happened in Colombia's negotiations with Mercosur), the GOC realizes that it must accept the U.S. redlines without much room for deviation from the Peru agreement. Colombia's intransigent position on certain agriculture issues, such as permanent protection for chicken leg quarters and rice, has been considerably weakened and should be off the table in subsequent discussions.

Concern over ATPDEA

5. Considerable debate in the press concerning the possible extension of unilateral trade preferences under the Andean Trade Preference and Drug Eradication Act (ATPDEA) has focused on the waning prospects for renewal of the program (which expires at the end of 2006), given the conclusion of the U.S.-Peru FTA. While the U.S. position has been consistent that ATPDEA will not be renewed, FTA opponents repeatedly point out that Colombia does not need an FTA because the U.S. Congress will continue to provide the country with unilateral trade benefits in exchange for cooperation in the war against drugs. Repeated admonitions to the contrary by visiting members of the U.S. Congress have not had much effect on the advocated of this position.

Now or Later?

6. Opponents of the FTA in Colombia's congress and in affected sectors have called on the government to delay signing the FTA until after the Congressional elections take place in March. Some Senators have suggested that the GOC wait several years before completing negotiations. The Colombian negotiators, however, seem as determined as ever to close as quickly as possible. New offers have been

presented in agriculture, perhaps clearing the way for a final round to take place in January. While it appears that President Uribe wants to finish negotiations before his Presidential campaign begins at the end of January, it is unclear how FTA politics will affect the upcoming Congressional elections, should Colombia and the U.S. finalize its agreement in the near term.

Press Coverage

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17. Although the leading national daily attempted to diminish the impact of the agreement between the U.S. and Peru arguing that Colombia's "special relationship" with the U.S. would in the end move the U.S.'s position, regional media outlets and conservative-leaning weeklies have welcomed the agreement as "positive pressure" and as a "wake-up call" with the "clock ticking" for Colombian negotiators. Equally, the two financial dailies of record, have carried columns arguing in favor of signing the agreement - even if the U.S. position is characterized as "inflexible." Regional newspapers, particularly those of Antioquia (Medellin is the Department capital), continue to call for the Colombian government to sign on the dotted line, pointing out that the "agreement is crucial for the department." And, for those in the government and in the media hoping or wishing for an ATPDEA extension, the most widely read weekly noted that the agreement with Peru marked "ATPDEA's death certificate."

Comment

18. The GOC appears committed to completing the FTA in January. If they were ever in doubt, the GOC negotiators now fully know what is expected, and the government must decide if the country is ready to trade off some politically important agricultural interests for access to the U.S. economy for Colombian exports. To deal with the political fallout from critics of the FTA, the GOC has announced WTO-consistent support programs to aid affected Colombians during transition periods in sensitive sectors. In another positive sign, large trade associations, whose members would benefit from the FTA, have begun to speak publicly about the importance of signing the agreement.

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